

# **Fiscal Services Division**

## **Legislative Services Agency**

### **Fiscal Note**

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SF 414 - Life Insurance, National Guard (LSB 1967 SV.1)

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Fiscal Note Version – As Amended by Amendment S-3230

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#### **Description**

Senate File 414 as amended by S-3230, provides an Iowa tax credit for mobilized (State and federal active duty) Iowa Reserve Component members for their Servicemembers' Group Life Insurance (SGLI) policy premiums while the member is serving on active duty. The Bill also provides that a death benefit be paid by the State on behalf of each member of the National Guard or United States Reserve Forces who died on or after January 1, 2003, and prior to the effective date of the Bill, while on active duty related to Operation Iraqi Freedom, Operation Noble Eagle, or Operation Enduring Freedom. Amendment S-3230 adds language allowing for the payment of certain death benefits from the General Fund for members of the retirement system for police officers and fire fighters.

#### **Background**

1. There are approximately 1,700 National Guard Reserve Component members on active duty. National Guard members are activated for 15 months.
2. The current rate for the Servicemembers' Group Life Insurance (SGLI) is \$16.50 a month for \$250,000 in coverage. (Estimated through FY 2006.)
3. There have been 37 Iowans who have been killed since January 1, 2003.
4. There are currently 31 National Guard members who are activated and do not carry the maximum insurance.
5. Section 411.6(15)(a) and (b), Code of Iowa, define a line of duty death benefit for a firefighter or police officer killed in the line of duty. A lump sum payment of \$100,000 is paid to the person authorized to receive an accidental death benefit. Under current law, the payment comes from the pension fund.
6. From 1993 to 2003, there have been five deaths paid out of the 411 retirement system (four firefighters and one police officer).
7. In calendar year 2005, to date, no one has died in the line of duty.

#### **Assumptions**

1. Senate File 414 takes effect upon enactment and applies retroactively to January 1, 2005, for tax years beginning on or after that date.
2. Reserve Component members who are killed after January 1, 2003, who did not have \$250,000 in SGLI will be paid the difference between the insurance coverage they carried and \$250,000 by the State.
3. The cost of death benefits payable pursuant to the Bill will be appropriated from the General Fund.
4. Based on National Guard data, 2.25% of the reservists killed on active duty did not have \$250,000 in SGLI. The weighted average of those reservists not carrying the maximum coverage is \$65,000.
5. In FY 2007, the cost in this fiscal note assumes that all members will sign up for the maximum amount of life insurance.

#### **Fiscal Impact**

The fiscal impact in FY 2005 for the difference in the death benefit is \$185,000. The total tax credit on 2005 tax returns filed in FY 2006 is estimated to result in a \$332,000 reduction in

General Fund revenues. Assuming that all members sign up for the maximum amount of life insurance, the total tax credit on 2006 tax returns filed in FY 2007, is estimated to reduce General Fund revenue by \$337,000. Under the Bill as amended, if one person dies in the line of duty, the fiscal impact would be a \$100,000 standing unlimited appropriation paid from the General Fund.

**Sources**

Department of Public Defense, Military Division  
411 Retirement System

/s/ Holly M. Lyons

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May 3, 2005

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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